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CMS

Country Market Survey

Household Consumer Products

Germany

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U.S. DEPARTMENT OF COMMERCE
International Trade Administration

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Careful targeting of potential buyers and markets should enable U.S. vendors to maintain their presence in the large German market for household consumer products. Despite the sluggishness of the German economy in recent years, most consumers continue to be well off and spend between 2 and 3 percent of their disposable income on household consumer products (see figure 1). From $5.1 billion in 1984, sales of yard equipment, housewares, bathroom accessories, and hand tools are forecast to advance a steady 2.6 percent yearly, to $5.8 billion in 1981[1] (see table 1). An apparent decline in sales in dollar terms between 1983 and 1984 was, in fact, a modest gain when measured in local currency.

The German market is shaped by the seemingly incongruous trends of a declining population and a rising number of households. While birthrates have fallen sharply since the mid-1960's, Germany's postwar "baby boomers," now 20-30 years old, have begun establishing households. Some are raising families; others are contributing to the growth of one-person households. The aging of the population, as reflected in the 15 percent of people over 65, also influences the market. The results are more one-person households and a class of consumers with relatively high disposable incomes (pensions are up to 70 percent of previous salary) and few responsibilities.

[1] All values are shown in U.S. dollars. Local currency data are converted at the following exchange rates: US$1 = 2.55 German deutsche marks (1983) and 2.82 German deutsche marks (1984 and subsequent years). Values for years through 1983 are expressed in current rather than constant dollars/prices; values for 1984 and subsequent years are expressed in 1984 constant dollars/prices.

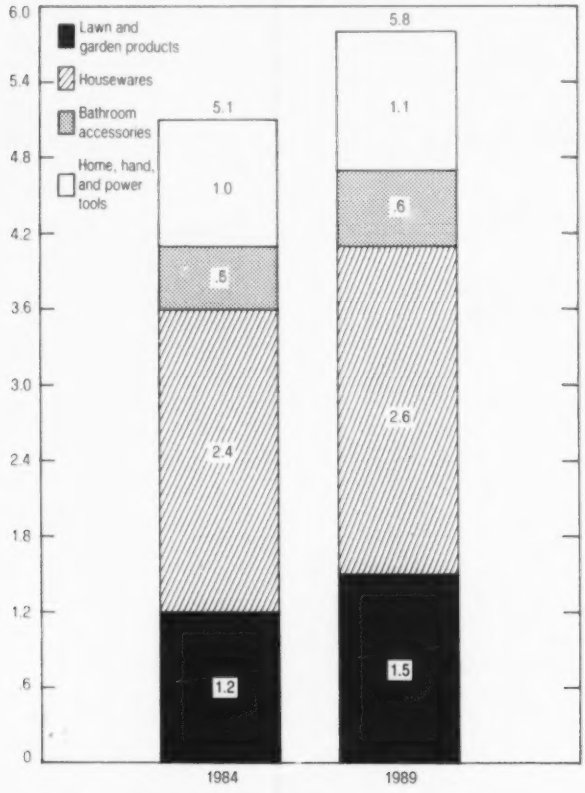
Table 1.—Germany: Expenditures for household consumer products, 1984 and projected 1989
(in millions of U.S. dollars)

	1984	1989
Lawn and garden products		
Retail[1]	990	1,165
Institutional/service sector[2]	250	295
Total	1,240	1,460
Housewares		
Retail[1]	1,930	2,130
Institutional/service sector[2]	425	480
Total	2,355	2,610
Bathroom accessories		
Retail[1]	415	490
Institutional/service sector[2]	110	125
Total	525	615
Home, hand, and power tools		
Retail[1]	760	875
Institutional/service sector[2]	220	240
Total	980	1,115
Grand total	5,100	5,800

[1] Retail sales apply only to sales to the ultimate end user (i.e., the consumer).
[2] Institutional/service sector sales apply only to sales to that sector.
Source: International Trade Administration, U.S. and Foreign Commercial Service research report, "The Market for Household Consumer Products in Germany" (see Additional Information box). Figures in this report are based on data gathered in Germany including available government statistics, industry reports, and trade source estimates and projections.

Figure 1
Germany: The market for houshold consumer products, 1984 and projected 1989

(in billions of U.S. dollars)



Source: International Trade Administration, U.S. and Foreign Commercial Service research report.

For U.S. firms, demand for many items is constrained by the high value of the U.S. dollar. Fortunately, many Germans place a premium on quality or uniqueness, thus allowing American firms to continue to do well with selected items. In addition, small shipments of such price-sensitive items as glassware by numerous individual companies build to a still impressive volume of U.S.-sourced shipments. At current exchange rates, shipments of American-built household goods to Germany are projected at $40 million by 1989 (see table 2). Knowledgeable observers note, however, that a more realistic dollar value of DM2.50-2.80 could easily result in U.S. shipments of some $50 million by the latter year.

- The $1.24 billion market for **lawn and garden products** in 1984 is projected to expand to $1.46 billion by 1989. The long-term trend to shorter work weeks creates more leisure time, which many householders choose to spend outdoors. German consumers place a high value on maintaining their gardens, and the growing level of environmental awareness in recent years has accentuated the popularity of gardening. Because land is so expensive, average sizes of lots are much smaller

than in the U.S., thus focusing demand on tools and equipment appppropriate to small-scale yards.

- Valued at $2.35 billion in 1984, sales of **housewares** constituted the largest share of the household products market. By 1989, a $2.6 billion market is projected. Demand has been spurred by a number of factors:
  - — The growing number of working couples causes consumers to place a premium on convenience and ease of maintenance.
  - — Many German families take pride in owning high quality consumer goods ranging from silverware to electric appliances.
  - — Germany's "yuppies," like their American counterparts, also have a taste for elegance and flair that translates into steady sales of sophisticated, well designed housewares.
  - — Household equipment designed for small or one-person households is sought after by consumers with the means to buy it.
- Despite an overall decline in the dollar-value of consumer household products sales in 1984, purchases of **bathroom accessories** surged ahead by 5 percent, to $525 million. Formerly limited to necessities, German bathrooms now often are equipped with luxury touches. Although the small size of the average German apartment limits the market's potential, sales are projected to climb to $615 million by 1989.
- A growing trend to do-it-yourself among householders underlies the projected growth in the market for **home, hand, and power tools,** from $980 million in 1984 to more than $1.11 billion in 1989. The high cost of professional help, coupled with the need to update or repair houses and apartments that are often 30 years old, generates a continuing need for everything from tape measures to staple guns. Furthermore, growing numbers of unemployed and underemployed workers are moonlighting in the home repair and improvement field to supplement their income. Growth is restrained only by the relatively low proportion (36 percent) of housing that is owner-occupied.

Competitive Environment

An expanding share of total sales of household consumer goods is expected to come from overseas vendors. Although domestic suppliers enjoy a high reputation on the German market, local production costs are among the highest in the world, and only products representing the highest technical standards can be produced profitably. As a result, imports will continue to play a growing role in the market (see figure 2).

U.S. suppliers.—American manufacturers sold household consumer products valued at $35 million in 1984, a 10 percent drop from the previous year's total. The strong dollar has hit U.S. vendors hard, with some firms reporting as much as a 75 percent cut in shipments, and others having left the market entirely.

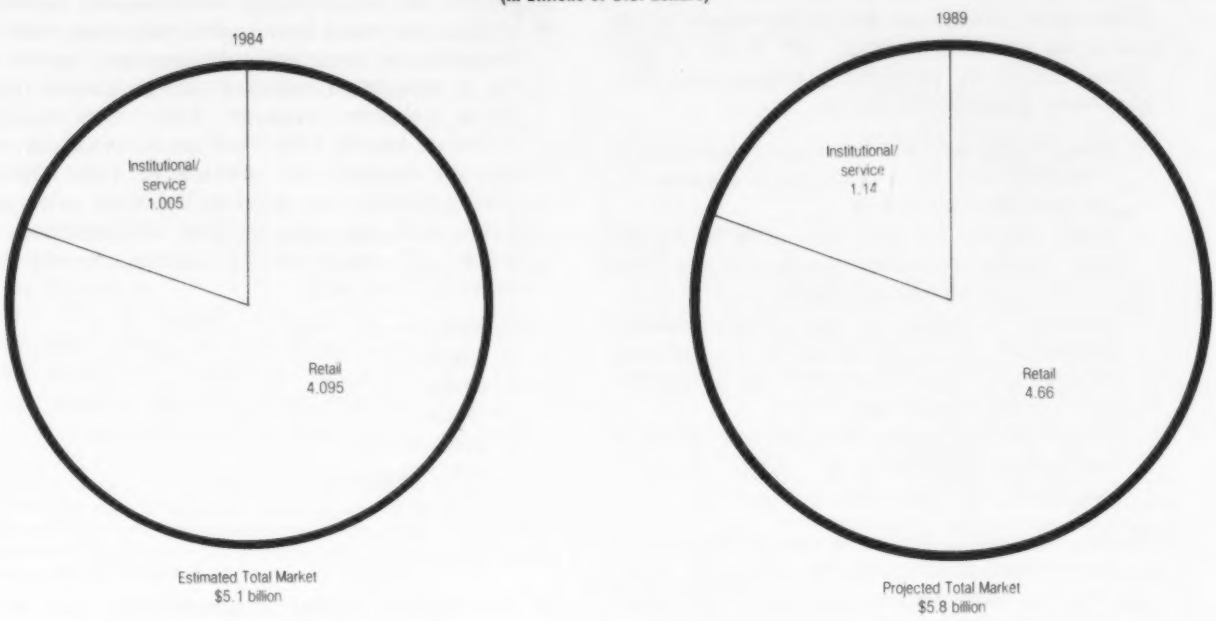
- Several companies have traditionally done well in the market for lawn and garden products, specializing in equipment suited to larger gardens (see "Most Saleable Products" box). U.S.-sourced shipments totaled $10.5 million in 1984 and are foreseen reaching $12 million in 1989. While exchange rates have severely tightened sales and profits, U.S. suppliers should be well-positioned to re-enter the market in the future. Among the successful firms are:
  - — AMF
  - — Ariens
  - — Bolens
  - — Gilson
  - — McCullough
  - — MTD Products
  - — Murray
  - — Simplicity
  - — Toro
- U.S.-sourced imports of **housewares** have been among the hardest hit, slipping from $12.3 million in 1983 to $9.1 million the following year. Such

Table 2.—Germany: Imports of household consumer products, 1984 and projected 1989
(in millions of U.S. dollars)

	1984	1989
Lawn and garden products		
United States	10.5	12.0
Japan	38.0	
Austria	25.5	
Italy	24.0	
Other	142.0	
Total	240.0	290.0
Housewares		
United States	9.1	10.0
France	160.0	
Italy	130.0	
Japan	60.5	
Other	395.4	
Total	755.0	840.0
Bathroom accessories		
United States	1.6	2.0
Italy	29.0	
France	23.0	
Switzerland	8.5	
Other	60.9	
Total	123.0	145.0
Home, hand, and power tools		
United States	13.8	16.0
Switzerland	74.0	
Japan	43.5	
United Kingdom	21.5	
Other	167.2	
Total	320.0	370.0
Grand total	1,438.0	1,645.0
Total from the United States	35.0	40.0

Source: See source notation of table 1.

Figure 2
Germany: Expenditures for household consumer products by end user sectors, 1984 and projected 1989
(in billions of U.S. dollars)



Source: International Trade Administration, U.S. and Foreign Commercial Service research report.

Most Saleable Products

Motor-driven lawn mowers, riding and push, tillers, garden vac cleaners (motor-powered outdoor vacuum cleaners) and attachments, snowthrowers; for small garden plots—power lawn edgers, garden hand tools.

Paint-spraying devices.

Microwave ovenware (variously colored cook- and bakeware for microwave ovens)

High performance tools for the do-it-yourself car repair market.

Cordless rechargeable electrical tools.

Special devices such as tackers and planers for the do-it-yourselfers market.

Source: See source notation of table 1.

markets as pressed or crystal glassware and stainless steel cookware are highly price-sensitive. Microwave ovenware, on the other hand, is expected to continue to offer opportunities as more German consumers acquire these appliances. Among the successful vendors of American-built housewares are:

- — Aladdin (vacuum flasks)
- — Anchor Hocking (oven- and glassware)
- — Basic Line (plastic items)
- — Corning (glassware, ovenware)
- — Dupol Rubbermaid (plastic housewares)
- — EKCO (bakeware, kitchen tools)
- — Faultless Caster (casters)
- — Fostoria (crystalware)
- — Gemco (glassware)
- — Genie (vacuum cleaners)
- — Hamilton Beach (small electrics)
- — Kirby (vacuum cleaners, shampooers)
- — Libbey Glass (glassware)
- — Nordic Ware (ovenware, cookware)
- — Oster (small appliances)
- — Raytheon (small appliances)
- — Regina (vacuum cleaners, shampooers)
- — Sunbeam (small appliances)
- — Tops (coffee makers)
- — Wallace Silversmiths (cutlery)
- — Waring Products (small appliances)

- Prospects are relatively limited for American suppliers of **bathroom accessories.** U.S.-sourced imports amounted to just $1.6 million in 1984 and are projected to reach only $2.0 million in 1989. Among the bright spots are personal care products (hair, driers, beard trimmers, etc.) and plastic ware

products with special glue designed to stick to walls in wet rooms.

- **Home, hand, and power tools** accounted for U.S. sales of a solid $13.8 million—the largest share of the total American import volume. An excellent reputation built on sturdiness, advanced design, and top-notch materials allows U.S. vendors to continue to make headway in spite of the strong dollar. By 1989, consumers are expected to spend $16 million on American-built tools. U.S.-based sales are higher, but a number of prominent manufacturers ship to the German market from local factories or plants elsewhere in Europe.

Domestic Suppliers.—German firms are well known to local consumers, with brand names such as Bosch, Siemens, Fissler, Gardena, Kaiser, Leifheit, Villeroy & Boch, and WMF—all highly regarded and considered worth a premium price. In the face of harsh competition from lower-wage countries, however, only the well established manufacturers are able to maintain their market position. To mitigate the effects of their own high production costs, local suppliers often market foreign-built products under their own name.

The pressure on domestic producers has had its greatest impact in the housewares market, where local firms are now restricted to high-priced quality products such as chinaware, silverware, and expensive cookware. Similarly, quality hand and power tools are still manufactured in Germany in large volume, but local manufacturers generally focus on the production of more sophisticated tools, leaving the lower end of the market to imports.

Third country suppliers.—With duty-free access to the market, Germany's European Economic Community (EEC) neighbors dominate the sale of imports. Lower transportation costs and customs duties are responsible for the 15-20 percent price advantage European suppliers enjoy over U.S. firms. Exchange rate variations in recent years only have exacerbated this trend.

Among the most prominent third-country sources of household consumer products are:

- France, which shipped imports worth $210 million to Germany, including $160 million of housewares. A large volume of glassware imports includes low-priced mass produced products as well as special heat-resistant cook and bakeware and microware. French brand names also are familiar to German appliance buyers.
- Italy, whose companies occupy a dominant position in the market for stainless steel products, also do well with porcelain bathroom accessories. Total imports from Italy amounted to $193.8 million in 1984.
- With sales that totaled over $148 million in 1984, Japanese manufacturers are strong across the board, supplying a broad range of power and hand tools, power mowers, and electric household appliances.
- Among other third-country competitors, the U.K. is a traditional source of china and stoneware, as well as hand and power tools; Sweden provides electrical appliances on the strength of Electrolux; and Austrian firms are leading suppliers of garden products, particularly lawn mowers.

Distribution System

Household consumer products find their way to the German consumer through a variety of channels:

- Shops specializing in certain types of goods, which commonly carry medium- to high-priced items, offer an extensive choice and provide a great deal of product information and after-sales service.
- Nonspecialized stores such as supermarkets, drugstores, and discount chains often carry relatively inexpensive household goods or tools as a sideline.
- Department stores and mail-order houses serve all segments of the market.
- Do-it-yourself centers, which carry high quality as well as low-cost items, offer the customer a choice of self-service or personalized information and assistance.

A number of other channels are responsible for small fractions of selected markets. These include door-to-door sales, open-air markets, street vendors, and flower shops. Another relatively new form of retailing is the large discount store located outside the city, which offers low prices and self-service.

Best bets for U.S. firms are channels that reach the final consumer with a minimum of middlemen. Examples include large department store chains (e.g., Hertie, Bilka, Horten, Karstadt, Kepa, Kaufhof, Kaufhalle, and Woolworth), mail order houses (e.g., Quelle Grossversand, Otto-Versand, Neckerman Versand, Schoepflin Grossversandhaus, and Schwab Versand), and large discount store chains (e.g., Plaza, Ratio, and Metro). All of these operate their own purchasing department and can buy directly from foreign suppliers. The largest retailers are responsible for about 25 percent of the market. The balance is distributed among the remaining channels.

To sell through specialized retail shops and smaller discount stores, U.S. vendors should contact buying cooperatives, who act as importer/wholesalers for their members. Some of the largest include Nurnburger Bund, Einkaufsburo Deutscher Eisenhandler, and Kaufring.

For most simple household goods, the gross margin between the landed price of imported goods and the retail price is 50 percent from the top. Mark-ups can be higher: up to 150-200 percent on higher quality products.

Market Access

When selling lower end products, price is of almost exclusive importance, and price competition is fierce. For more expensive items, price is less important than image, which is built through advertising that creates brand recognition, not only among consumers, but among dealers as well.

The large consumer goods trade fairs held in Germany annually are an excellent medium for exposure to potential dealers. These attract not only German buyers but wholesalers and retail chains from all over the continent.

Standards applying to household consumer products are set by the German Institute for Standardization (Deutsche Industrie-Norm, or "DIN"). More important are standards that require all technical equipment—electric and nonelectric appliances, tools, and gardening equipment—to conform to safety standards. Under German law, the importer is held fully responsible for the safety of a foreign-built product, which makes it difficult for overseas firms to sell directly to all but the larger retailers.

Imported as well as domestically-manufactured products are tested by the TUV, a group of agencies authorized by the Government. Approval by the TUV, which allows the use of safety seal "GS," is a basic requirement for marketing technical equipment in Germany. Information on German standards is available from TUV Rheinland of North American, Inc., at the following addresses:

108 Mill Plain Road
Danbury, CT 06811
(203) 798-0811

551 Cambrian Way
San Ramon, CA 94583
(415) 820-8467

Customs duties on U.S.-built consumer goods generally range from about 4 percent to 13 percent, though some items such as knives and cutlery carry tariffs as high as 17 percent.

Additional Information

The project officer responsible for Country Market Surveys on household consumer products is:

Larry C. Cozart
Market Analysis Branch, Rm. 2012
International Trade Administration
U.S. Department of Commerce
Washington, D.C. 20230

The Survey summarizes a 64-page International Market Research (IMR) report prepared by Dr. Karl-Wilhelm Kindel in Germany under contract for the U.S. Department of Commerce, and reflects the opinions and views of interviewees in Germany and not necessarily those of the Department of Commerce. The IMR report gives considerably more detail on all the points touched upon in the Survey.

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